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# Lower the high cost of living; Basis for investment; New home [News items]

Anonymous

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### Lowering the High Cost of Living

**T**HE high cost of living may not be attributed to any one thing. Even the war may not be blamed as the sole cause. Many things contribute, incidentally, to a condition which during the process of adjustment to a higher price level at times seems intolerable.

It was inevitable that there should have been a rise in prices after the war. It did not require an expert economist to foresee such a condition. Interest rates needed no exhaustive study such as one research man spent months in giving to the subject in order that their trend might be forecast. But it does not seem necessary that all the present contributing causes need exist.

The butcher explains the high price of veal to the housewife by telling her that numerous government inspections of cattle and meat are now required. The farmer justifies the previously unheard of prices of butter and eggs by a statement that feed for cows and hens was never before so high. The real estate agents lay the blame on the economic law of supply and demand when they offer ramshackle houses at twice what they are worth. The public is being slowly educated to the higher prices and although it groans and complains, it pays.

Recent steps taken by the Federal Reserve Bank to curb speculation by raising the discount rate has resulted only in shaking down the market temporarily. The scheme fails because it is wrong in principle.

Is there any reason to suppose that the real estate operator who sees a chance to realize a profit of forty or fifty per cent. inside of a month is bothered by the raise of a few points in the discount rate?

Most banks during the war before making loans insisted on knowing the purpose for which the funds were to be used. The discriminating banker today is likely to require information regarding the use to which the proceeds of loans are to be put. He is much more likely to make the loan

for serious and necessary business uses than for the purchase of automobiles, or player-pianos, or speculation in the stock market. His inquisitiveness may be impertinent but his position enables him to exercise it.

What some of the individual or member banks now do might be carried out to great advantage, it seems, by the Federal Reserve Bank. The same careful inquiry and discrimination by the parent bank with regard to rediscounts might work infinitely more good than raising the discount rate. Funds for legitimate and necessary business purposes should be made available. The rate should be as low as possible. Funds for speculative, profiteering, gouging schemes promoted with the object of taking advantage of helpless, law-abiding citizens should not be obtainable at any price.

The Federal Reserve Bank under such procedure might not show earnings of one hundred and twenty-six millions, but the high cost of living might be appreciably lowered. At any rate, the official bank of the government might take some pride in having served as an instrument in relieving a condition the burden of which is well-nigh intolerable.

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### The Basis for Investment

In these days of high prices, when a dollar buys only half what it formerly did, the business enterprises of the country have been forced generally to greatly increase their capital. As is usually the case, the appeal in the last analysis has been to the public.

The vast financial mechanism which handles securities issues, disposes of them ultimately to the small investor. They may be placed originally with an underwriting syndicate. They may pass in turn to the large financial houses, to the investment houses, and to the banks and trust companies which distribute them. At last they reach individuals or their representatives

purchasing for their own account or as trustees.

In either instance, the necessity for care is equally great. One investment generally represents the accumulation of hard earned savings; the other, funds belonging to a trust. Any loss in the first case is likely to be pathetic; in the second case, to make the trustee liable.

With the flotation for legitimate purposes have come some securities of questionable value. Some of the issues have been small in amount; others small in denomination. In some cases they have been literally peddled from house to house. They have found in many cases a ready sale. The Liberty Loan issues were not without their lesson in thrift. The average American has learned to save. He has not learned to invest. It is perhaps doubtful if he ever will.

A prominent Chamber of Commerce in the United States recently started a campaign to educate the public with respect to buying securities. "Do not buy," they say, "without the fullest investigation. Ask your broker how much money he would loan you on the stock offered for sale. Find out how much it is worth as collateral."

To the prospective investor it might perhaps better be said—"Ask the public accountant." Market value and asset value are two different matters. The former determines the marketability or the loan value; the latter, safety of principal. The banker looks always on the marketability because he is not interested in the securities as investments. He is thinking rather of how soon he can sell them if the borrower defaults on the payment of the loan. On the other hand, safety of principal is of the essence of investment. A properly certified balance sheet is a better measure of the value of investment securities than any market in the world. Market value is "fiat" value. It is accepted on faith, because no one questions it, save possibly the

lender. He gets far enough under it to maintain a safe margin in case of a decline in the market.

The investor would do well if, before buying securities, he would ask to see a certified statement as to the asset values.

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### A New Home

The firm has recently completed negotiations for the purchase of a twelve-story building at Nos. 35 and 37 West 39th Street. Title will be taken July 1, and possession gradually, beginning August 1, as leases expire. The Executive Offices will be moved as soon as possible to the new building. Mr. Sells and the Financial Department will probably be the first to go, after which will follow the Executive Tax Department and the Executive Report Department.

The building contains about 30,000 feet of floor space, which fact gives promise of adequacy for some time to come. The plan for housing the Executive Offices does not involve in any way the New York Practice Office, which will remain at 30 Broad Street as formerly, except for the addition of a considerable amount of space made available by the departure of one of the tenants from the 14th floor. The New York Practice Office now occupies the entire 14th floor of the Johnston Building.

It is hoped that all the Executive Offices will be installed in the new building by the end of the year 1921.

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It is always a pleasure to record evidences of achievement and progress. Hardly an issue of the BULLETIN goes to press without its budget of such announcements. This month's quota is an unusually full one.

Our office at Havana was formally opened on June 14, 1920, at the National Bank of Cuba Building, Obispo and Cuba Streets, Havana, Cuba. Mr. J. L. Barnett, formerly a member of the New York staff, has been appointed manager.

Effective May 1, 1920, Messrs. J. F. Pflug and E. B. McGuinn have been appointed Assistant Managers of the Chicago Office. The former will be in charge of reports; the latter in charge of tax accounting.

Mr. F. M. McDonnell of the Los Angeles Office has been appointed Assistant Manager, effective May 1, 1920.

Messrs. H. O. Fairlie and A. C. Fullerton have been appointed Assistant Managers of the San Francisco Office, effective June 1, 1920.

### Additions to the Library, May, 1920

**Atwood, Albert W.** Putnam's investment handbook: a stimulus and a guide to financial independence. New York, G. P. Putnam's Sons, (c1919). 375 p.

**Bacon, Raymond Foss, & Hamor, W. A.** The American petroleum industry. 2 v. New York, McGraw-Hill Book Company, Inc., 1916.

**Clapp, John Mantle.** Talking business. New York, The Ronald Press Company, 1920. 526 p. (Language for men of affairs, volume 1.)

**Exporters'** encyclopaedia, containing full and authentic information relative to shipments for every country in the world. Edition 15. New York, Exporters' Encyclopaedia Company, 1920. 1508 p.

**Flemming, Louis A.** Putnam's word book: a practical aid in expressing ideas through the use of an exact and varied vocabulary. Edition 2, revised and enlarged. New York, G. P. Putnam's Sons, 1919. 709 p.

**Guaranty Trust Company of New York.** Foreign financing under the Edge Act, approved December 24, 1919. 40 p.

**Hartman, Harleigh H.** Fair value: the meaning and application of the term "Fair valuation" as used by utility commissions. New York, Houghton Mifflin Company, 1920. 263 p.

**Harvard University. Bureau of Business Research.** Harvard system of stock keeping for shoe retailers. Cambridge, Harvard University Press, 1916. 37 p. (Bulletin No. 7.)

— Operating accounts for retail drug stores. Cambridge, Harvard University Press, 1920. 62 p. (Bulletin No. 16.)

— Operating accounts for retail jewelry stores. Cambridge, Harvard University Press, 1919. 68 p. (Bulletin No. 15.)

**Hollingworth, Harry Levi.** Vocational psychology: its problems and methods. New York, D. Appleton and Company, 1919.

**Jordan, David F.** Jordan on investments. New York, Prentice-Hall, Inc., (c1919).

**Lee, James Melvin, ed.** Business writing. New York, The Ronald Press Company, 1920. 611 p. (Language for men of affairs, volume 2.)

**Moore, James T. M.** American business in world markets: our opportunities and obligations in securing export trade: the plans and purposes

of other nations. New York, George H. Doran Company, (c1919). 320 p.

**National Civic Federation.** Profit sharing by American employees: examples from England, types in France. New York, National Civic Federation, (c1920). 423 p.

**Seashore, Carl Emil.** Psychology in daily life. New York, D. Appleton and Company, 1918. 226 p.

**United States. Bureau of Foreign and Domestic Commerce.** Brazil: a study of economic conditions since 1913, by Arthur H. Redfield. Washington, Government Printing Office, 1920. 99 p. (Miscellaneous Series, No. 86.)

**United States. Bureau of Mines.** A glossary of the mining and mineral industry, by Albert H. Fay. Washington, Government Printing Office, 1920. 754 p.

— Metal-mine accounting, by C. B. Holmes. Washington, Government Printing Office, 1920. 63 p. (Technical Paper 250.)

**United States. Interstate Commerce Commission.** Regulations to govern the destruction of records of telephone, telegraph, and cable companies (including wireless companies). Issue of 1920, effective on January 1, 1920. Washington, Government Printing Office, 1920. 37 p.

— Rules governing the separation of operating expenses between freight service and passenger service on large steam railways. Issue of 1920, effective on January 1, 1920. Washington, Government Printing Office, 1919. 13 p.

**York, Thomas.** Foreign exchange, theory and practice. New York, The Ronald Press Company, 1920. 182 p.

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